

Index

administrative monopolies, 258 agricultural crisis, 88-89 and increased inputs, 89 reasons for, 90-91 bad weather, 89-90 loss of comparative advantage, management policies, 90 reduced incentives, 90 removal of right to exit, 95, 95-96 agricultural products, government monopoly on purchase and marketing, 81 agriculture comparative advantage, and imports, 163 and economies of scale (collectivization), 83-84 costs of supervision, 94 freedom to withdraw, 95 need for self-discipline, 94 farmers' access to bank loans, 257 farmers' reluctance to sell to government, 81–82 market reform in, 155 prereform institutional arrangements, 152-153 production growth, 164 rationality in society, 11

reform programme (1978), 153 gradualism and dual-track approach, 154 resolution of problems, 155 research finance, 162-163 rising demand from urban areas, 82-83 and rural poverty, 6 see also agricultural crisis; collective production; Cooperative Movement; household responsibility system; new socialist countryside; new village movement; three rural issues Amsden, Alice, market intervention, IIO Aristotle, basic elements, 43 Asian financial crisis, see East Asian financial crisis Asian Tigers, growth in per capita income, 15 see also East Asian Miracle automobile industry, prioritization of in China and India, 133 in Japan, 132–133 consistency with comparative advantage, 133 in South Korea, 134



300 • Index

Bacon, Francis, importance of and Washington Consensus, 277 inventions, 24 protection for capital-intensive Balassa-Samuelson Theorem, 294 industries, 252 banking system reduction of imports and exports, and corruption, 194–195 136 deposits and risk, 200-210 short-term vs long-term fragility of, 188 results, 136 improvement in, 246 and technology choice, 113 investment by big banks in small and viability of enterprise, 114, 117 financial institutions, 260 in other developing countries, 276 loans and risk, 210 CAF (comparative-advantagereform of, 185 following) strategy, 127, 134 problems after reform, 192-193 capital accumulation rate, 124, 126 restoration of four major banks, 208, and competitiveness, 126 in domestic markets, 255 210 and SMEs, 215-216 economic growth, 255 government support for, 216 employment, 250 need for government supervision, and endowment structure, 124 217-218 and export-oriented policy, 135–136 policy design, 220 government policy in developing role in economic development, countries, 128-129 collection and dissemination of 218-219 vulnerability of, 219–220 information, 129-130 and SOEs, 209 compensation for externalities, Bergsten, C. F., global imbalances, 18 130-131 Berle, Adolf, asymmetric information, coordination of investments, 197 and income distribution, 251, 254 biogas digester, 241-242 Bismarck, Otto von, Blood and Iron innovation capability, 139 Policy, 131 in China, 139-141 Brown, Lester, World Watch Institute, or technology imports, 142 161, 162 and international capital flows, bureaucratic capitalists, confiscation of 142 property, 68 long-term results, 137 see also Communist Party of China market mechanism, 127-128 and pricing system, 254-255 CAD (comparative-advantage-defying) relative growth rate, 138 viability of enterprises, 126 strategy, 104, 138 and endowment structure, 119 see also automobile industry; CAF vs inefficiency of, 251-252 CAD strategy need for resources, 137-138 CAF vs CAD strategy in newly independent countries, 104 capital accumulation, 147-148 and policy support, 119-121 employment structure and urbanization, 149 problems in developing countries, financial liberalization, 148-149 252-253, 276 debt crisis, 277 income distribution, 149-150 macroeconomic stability, 149 protective measures, 276–277 viability, 276 openness, 148



Index • 301

technological innovation, 148 collective production, capital, inefficient use of under theory of, 157 Five-Year Plan, 99–100 incentives for, 158 capital accumulation, 10 external problems, 159 and economic surplus, 125-126 supervision problems, 158–159, and prioritization of heavy industry, 76, 76–77 collectivization, see agriculture capital intensity, in developed commodity markets, during Two countries Periods, 25 and financial structure, 216 see also Fan Li and technological progress, 213 Communist Party of China capital-intensive industries, and country-wide unity, 68 financial structure, 257 development of socialism, 62, 64 capital markets, creation of, 185 and Leninism, 65 capital outflows, and global failure of, 65-66 imbalance, 294 and Marxism, 64 capitalism, and social unrest in New Democracy Policies, 68 West, 62 see also Mao Zedong and Marx's theory, 62-63 comparative advantage, 117-118 Castro, Fidel, 100 regional variations in, 254 Central Rural Work Conference, see also CAF strategy; competition; and new socialist pricing system countryside, 234 comparative-advantage-defying Changchun First Automobile strategy, see CAD strategy Works, 133 comparative-advantage-following Chen Yun, 81 strategy, see CAF strategy Chiang Kai-shek, 66 competition Chu, Paul, research on and CAF strategy, 126, 127 superconductivity, 37 and capital accumulation, 125 Cipolla, Carlo, comparison of China effects on information asymmetry, and West, 29 197-198 civil service examination system in local markets, 255 abolition of, 61 in planned economy, 198 attitude toward math and science, and technological innovation, 32-33 22, 48, 49, 51–52 Four Books and Five Classics, 50 computer industry, 140 hindrance to technological Confucianism, and East Asian Miracle, progress, 52 and national unity Confucius, 25 stifling of technological Four Books and Five Classics, 50, development, 56 50-51 I Ching, 44 civilization, 57, 57-58 cultural clash between ancient and and Needham puzzle, 32, 45 modern, 57 constitutional monarchy, and and Needham puzzle, 31 rejuvenation policy, 60 and size of population, 40 consumption; see rural consumption see Cold War, and East Asian Miracle, urban consumption contract system, in SOEs, 179 107-109



302 • Index

contract system, in SOEs (cont.)	friction between old and new
nationwide problems, 180	systems, 189, 191
Cooperative Movement, 86	pilot programs and media
advanced cooperatives, 87–88	attention, 198
mutual aid teams, 86–87	and growth, 267, 281
people's commune, 88	and international economic opinion,
and agricultural crisis, 88–89	264–265, 265, 267, 270
primary cooperatives, 87	problems in, 266
and prioritization of heavy	transition to single track, 183
industry, 86	see also neoclassical theory; shock
see also agricultural crisis; household	therapy; Washington
responsibility system	Consensus
corporate savings rate, 295	dwarf rice, 89
corruption, 19	
and SOEs, 194, 200	East Asian economies, and CAF
and subsidies, 121	strategy, 137, 138
see also rent-seeking	and income distribution, 149–150
credit operatives, 217, 217	East Asian financial crisis, 145
crony capitalism, 121	Chinese commitment to
current account surplus, and domestic	stability, 7, 267
saving, 295	devaluation of currencies, 6–7
deflation	East Asian Miracle, 4, 102, 105
causes of, 224–225	benefits of Cold War, 107–109
in China, 225, 235	Confucianism, 107
and Chinese growth, 222, 226	export-orientation, 110–111
consequences of, 227	market economy, 109
and unsatisfied demand,	government intervention in,
229–233, 236	109–110
in US, 228–229	unified economies, 106
	economic development, prioritization
Deng Xiaoping	of, 249, 261–262
Crossing the river by groping the	economic growth determinants
stones, 186	factors of production, 10
GDP growth target, 3, 4	industrial structure, 10
reform program, 153, 154	institutions, 10
Southern Tour, 226	technology, 10
two "unexpected results", 274	importance for other
use of material rewards, 177	determinants, 11–12, 12,
dependency theory, 70–71	14
developing countries	education, 19
innovation options, 13, 14	and May Fourth Movement, 61
technological borrowing, 14	see also health and education
see also CAD strategy; CAF strategy	Elvin, Mark, and man-to-land
dual-track system	ratio, 33
gradual approach to reform, 186–187	employment
achievements of, 187–188	and income gap, 257
advantages over shock	and overstaffing of SOEs, 199
therapy, 204	under Five-Year Plan, 99



Index • 303

endowment structure	regulation, and global imbalance, 293
and comparative advantage,	resource price distortions, 257–258
115–116	royalties, 260–261
upgrading, and relative prices,	restoration of four big banks, 208
126–127	and SOEs, 209
see also CAF strategy	and structural improvement,
energy consumption	259–260
decline in, 222, 226–227	technological innovation, 207;
and prices, 236–237	banking sector
see also new village movement	see also investment; stock market
environment sustainability, 266	fiscal policy, and deflation, 228
and functional income distribution,	Five-Year Plan (first)
262	assessment of, 97–99
problems of rapid growth, 17	cost of achievement, 99–102
European feudal economy, and division	effects on agriculture, 81
of labor, 105	living standards, 101
excess capacity, and unsatisfied	see also agricultural crisis
demand, 229	food security, 161
exchange-rate policy	and market liberalization, 161, 162
and global imbalance, 289–290	prereform production, 153
and China's trade surplus, 294	R&D, 162
and machinery imports, 76, 76–77	see also three rural issues
export growth, and reform of exchange	foreign capital flows, in developing
management system, 184	countries, 143
export-led growth strategy, in East	investment risk, 143
Asian economies, 287–288	foreign currency reserve accumulation,
and East Asian Miracle, 110–111	and global imbalance, 288
<i>C</i>	foreign direct investment
factor endowment structure, 213	(FDI), 5, 230
factor price distortion, 121	foreign exchange management,
Factor Price Equalization, 171	reform in, 183–184
Fan Li (Tao Zhu Gong), story of,	reserves, 5
25–27, 46	and external imbalances, 18
farm products, government monopoly	and stability during East Asian
on purchase, 82	crisis, 7
financial sector, 211	foreign trade
administrative distortions in, 258	dependency ratio, 3, 5
and bank reform, 185	growth, 4
and capital allocation, 211, 212	share in, 188
maximization of efficiency,	Formosa Plastics Group, 108
212-213, 213	
and risk, 212	GDP growth
centralization of, 256	contribution to global growth, 8
dual-track system, 185	and global financial crisis, 7
and inequality, 258	maintenance of, 16
loans to SOEs, 208	and per capita income, 8, 13
and Ministry of Finance, 184	targets for, 3, 4
problems for SMEs, 256–257	see also technological borrowing
	= 9



304 • Index

global imbalance, 287	investment for, 98
and financial crises, 18	micro-management institutions, 78
US dollar as reserve currency,	nationalization of light
292-294	enterprises, 78–79
role of reserve currency, 296–297	and non-socialist countries, 76,
and US trade deficit, 290, 293	131-132
see also exchange-rate policy;	and planned economy, 76, 80
export-led growth strategy;	problems for developing countries,
foreign currency reserve	71-73, 75
accumulation	see also CAD strategy; Cooperative
global recovery, suggestions for,	Movement; grain; household
297–298	registration system
globalization strategy, 4	Honda, in Guangzhou, 143
grain production	household registration system, 85,
and comparative advantage, 84	274
contract pricing, 160	household responsibility system, 91,
food security, 161	155, 155–156
government monopoly	contribution to agricultural growth,
on purchase, 82	159–160
national purchasing and marketing	debate on, 157
plan, 84–85	expansion of, 156
regional self-sufficiency in, 84	grain production and contract
see also agricultural crisis	pricing, 160
Great Depression, in West, and	rational behavior, 157
unemployment, 63	supervision costs, 159
Growth Enterprise Market, 214–215	see also collective production; food
growth potential, 9, 16	security
non-economic problems, 17–20	Huang, Ray, story of Zhang Juzheng, 51
growth rate, since 1978, 246	Huntington, Samuel, meaning of
Guan Zhong, 25	civilization, 57, 57–58
gunpowder, and economic growth, 24	hybrid rice, 89
	Hyundai, government
Han Dynasty	protection of, 134
and merchant class, 46	
power and riches of, 23	IBM, R&D costs, 114
Han Guoping, and toothbrush	import substitution, 71
production, 140–141	imports, of raw materials, effect on
Hayek, Friedrich A., 272	African countries, 7
health and education	incentives, in state-owned
and functional income	enterprises, 174
distribution, 262	material rewards, 177, 187
and income gap, 248	and volunteerism, 176
heavy industries, prioritization of, 70,	income distribution, efficiency and
71, 132	equity, 249–250, 254,
effect on agrarian population, 81	261–262
features of, 71	and CAF strategy, 251
industrialization and	national income and growth,
urbanization, 149	250



Index • 305

wealth transfer, 253–254; financial	and population advantage, 40
system	and technology distribution curve,
see also income inequality	38-39
income inequality, 17, 247–248	trial and error model, 36–37
and CAD strategy, 252	investment
distortions from, 258	costs of, and supply problems, 175
and social harmony, 248	growth in, 225, 226
see also income distribution	inequitable income distribution,
income tax, and inequality, 248	247–248
Indonesia, foreign trade dependency	problems of excess, 247
ratio, 5	by private sector, 230
industrial production, inefficiencies of,	risks of, 209, 210
100-101	Iridium Communications Inc., satellit
Industrial Revolution	project, 128–129
acceleration of technological change	IT industry, costs of, 114
in West, 34, 41–42	11 made y, costs of, 114
economic decline in, 1	Japan
favorable conditions for in China, 30	and CAD strategy, 105, 137
and patent protection, 33	and Confucianism, 107
rise in European economic	feudal society and national
growth, 30	market, 106
role of science in West, 42, 45	
	government protection of
and unbalanced growth, 9, 14–16 see also invention probability curve;	agriculture, 269
	MITI's industrial policies, 109
Needham; technology	subsidized rice production in, 120
distribution curve	Japan Revitalization Coupon, 228
inflation	IZ 1 (
and contract system, 180	Korea, loss of, 56
and liberalization,	Japanese attempts at
and shortage, 192–193	colonization, 59
information, and CAF strategy,	Kornai, János
129–130	economics of shortage, 77
information industry, and intellectual	and soft budget constraint, 272–273
property, 116	Krugman, Paul
innovation, 13	global financial crisis, 18
mechanisms for, 13	on unsustainability of East Asian
institutional traps, and civil service	Miracle, 144
system, 52	Kuomintang Party; see Sun Yat-sen
Intel, R&D costs, 114	
interest rates	labor, division of, and
adjustment of, 192	market size, 23
and bank loans to SOEs, 193	see also Smith, Adam
and capital-intensive industry,	labor market, during
76–77	Two Periods, 25
and commercialization of banks, 193	labor-intensive sector, 213
International Economic Circulation	entrepreneur-related risk, 213
Strategy, 4	land ownership, and market
invention probability curve, 36, 38	economy, 25



306 • Index

Lange, Oscar, 272 definition of culture, 57-58 Latin America, US aid to, 109 theory of, 62-63 see also Communist Party of China; Lee Kuan Yew, and East Asian financial crisis, 145 Mao Zedong Lehman Brothers, collapse of, 7 massacres, of unarmed workers, 66 Lei Feng, and volunteerism, 176 materials prices, and rent-seeking Lenin, precondition for revolution, behavior, 183 65, 67 May Fourth Movement, 61, 64 Li Dazhao, 64 and Confucianism, 107 Liu Yong, life in Lin'an, 27–28 McKinnon, Ronald, financial living standards liberalization, 148 before reform, 153-154 Means, Gardiner, asymmetric and discontent, 248 information, 197 under CAD strategy, 104 Meiji Restoration, and Sino-Japanese war, 59 Maddison, Angus, 1, 12, 23 merchants, and civil service, 46 estimates of growth, 16 Ming Dynasty, and capitalism, 46 German per capita income, 132 mining industry, price distortions in, magnetic compass, and economic 257-258 growth, 24 monetary policy, and deflation, Malinowski, Bronislaw, definition of 227-228 culture, 57-58 monopoly industries, reform of, management reform, 178-182 moral hazard, 212 managers see also rent-seeking policy burdens and market motorcycle industry, 148 competition, 200 selection of, 197 national capitalists manufacturing, and comparative nationalization of light industries, advantage, 169-170 78-79 role in economic transition, 68 under planned economy, 170 see also CAD strategy support from Mao, 67 Mao Zedong see also Communist Party of China Encircling the Cities from the Rural National Financial Work Areas, 66-67 Conference, 218 failure of Soviet model of planned national rejuvenation, 57 Westernization Movement, 58 economy, 60 abolition of civil service Unite the Majority and Fight against a Handful, 67 examination system, 60 market economies, and East Asian and Sino-Japanese war, 59-60 Miracle, 109 see also May Fourth Movement market economy, transition to, 182 Needham, Joseph, and Needham see also dual-track system puzzle, 30-31 market mechanism, and CAF strategy, cultural determinism, 32 and bureaucratic values, 45 127-128 marketing policy, government planned high-level equilibrium trap, 33-34 national competition, 32-33, policy, 82 Marx, Karl 47-48 crash of capitalism, 64 patent protection, 33, 46-47



Index • 307

neoclassical theory, viability per capita income, fall in, 55 assumption, 267-268, 271, Perkins, Dwight, on agricultural crisis, 272-273 in developed countries, 268 Philippines, economic failure of, 108 in developing and transition Poland, transition to market economy, countries, 268–269, 270–271 see also Washington Consensus Polo, Marco, descriptions of Chinese new socialist countryside, 233 towns, 29 adaptation to local population growth, and family conditions, 244 planning policy, 156 education policies, 243 population size, in premodern period, funding of, 240 28, 29 by farmers, 241 Porter, Michael, and comparative government, 240, 244 advantage, 146-147 mobilization of social forces, 240 poverty, and rationality, 11 infrastructure construction, 239, 243 premodern economy, size of, 23 and private property, 239 price determination, 26 investment in infrastructure and price liberalization, and market technology, 242–243 competition, 204 long-term targets, 238 price reform, in agriculture, 155 short-term targets, 238 price system, effects of distortion, urban employment creation, 242 76-77, 77-78 urbanization, 241-242 and CAF strategy, 254-255 urban-rural income demand for foreign exchange, 77 shortages of supply, 77 gap, 238-239 Wen Jiaboa, 238 pricing mechanism, reform of, 182, 187 see also new village movement; rural primitive science, 43 construction; three rural theory of Yinyang and Wuxing, 44 Prisoner's Dilemma, 92–93 private sector, and financing channel, new village movement, 237 New World, discovery of, 55 208 New Zealand, SOEs in, 202 productivity Nissan, government protection of, 133 and capital accumulation, 11-12 Nokia, 147 and technological change, 41 profit retention, in SOEs Opium War, 1, 56, 58 problems of supervision, 179 optimal industrial structure, and CAD trial in Sichuan province, 178-179 property rights strategy, 119 and endowment structure, 118-119 clarification of, 180 overseas students, and national privatization, 181 rejuvenation, 60 loss of assets, 181 oversupply, in heavy industry, 173 shareholding system, 181 results of, 181-182 paper and printing, and economic growth, 24 Qin Dynasty, nobility system in, 49 People's Bank of China, 184-185 Qing Dynasty People's Republic of China, 69 and nationalism, 56 and CAD strategy, 104 overthrow of, 61



308 • Index

rationing system, in World War II, 77 Schultz, Theodore, 11 Research and development (R&D), in Scientific Revolution, in China, developed countries, 13–14 absence of, 52-53 capital requirements for, 207 lack of enthusiasm for math and returns to, 14 experiments, 48 reform and opening strategy, 3 Scientific Revolution, in West, 43 and corruption, 19 and competition, 48 modern methodology, 43, 44-45 economic growth, 1-2 GDP targets, 3 patent protection, 46-47 improvements in living standards, and political system, 48 5–6 Secondary Import Substitution, in lack of social unrest, 9 Latin American countries, technological borrowing, 15-16 see also growth potential services, lack of development in, 256 relation lending, 219 shock therapy religion, and scientific progress, 47-48 comparison with gradual reform, 204 rent-seeking, 125, 126 and enterprise viability, 204 and price distortions, 258 and neoclassical theory, 265, and subsidies, 121 267-268 and transition to market economy, non-viability, 280 182-183, 187, 188-189, 189 and policy recommendation, 203 in foreign exchange, 184 and recession, 203 resource allocation in Russia, 265 and coordination, 174 and soft budget constraint, 273-274 horizontal management, 174-175 Sima Qian, biography of Fan Li, 25 problems with decentralization, Sino-Japanese war, 50 cession of Taiwan, 60 175 market-based, 178 small and medium enterprises (SMEs), problems of inflation, capital requirements of, 213, reform in, 182, 187 256-257 resource royalties, 260-261 bank loans, 214 resources, use of, 17 Growth Enterprise Market, 215-216 Ricardo, David, and comparative regional small and medium banks, advantage, 146 215-216, 259-260 rural consumption, demand for, 231 policy design of, 260 and infrastructure and support stock market listing, 214 facilities, 233, 237 Smith, Adam and rural incomes, 232 description of China, 29 rural cooperative funds, 217, 218 division of labor, 23, 105 rural development; see new socialist international trade, 87-88 countryside see Three Rural social inequality, and revolution, 66 Issues socialism, development of, 62 rural inequality, and land reform, 67 comparison of China and Russia, see also Communist Party of China; 65-66 income inequality Russian withdrawal of unequal treaties, 63 transformation of USSR, 64 San-min Doctrine, 63

see also Sun Yat-sen

savings, and investment, 126



Index • 309

soft budget constraint, 199, 272–273 Solow, Robert, 147 Song Dynasty civil service examination, 49, 50 water-driven clock, 48 Song Yingxing, history of science, 51 Soviet model, of economic transformation, use by other countries, 70 see also Mao Zedong; socialism; Stalin Soviet Union and CAD strategy, 137 collectivization movement, 95 withdrawal of right to exit, 95-96 management of industries, 79 stabilization, of world economy and 2008 global financial crisis, 7 and East Asian financial crisis, 6-7 Stalin, and transformation of USSR, 64, 70 state-owned enterprises (SOEs) and bank interest rates, 193 and CAD strategy, 203 and competitive markets, 199 government protection for, 189-190 management of, 80, 201 and national development strategy, 199 policy subsidies, 199 and policy burden, 202 post-reform profitability, 246 privatization in other countries using shock therapy, 204 privatization of small and medium enterprises, 195 principal-agent problem in large SOEs, 195-196 external supervision, 196 information asymmetry, 197 problems of privatization, 196 removal of social burden, 200 removal of strategic burden, 200-201 and stock market, 194 and reform, 189 failure of, 274 and non-viability, 269-270, 275-276, 281

and property rights, 274-275 steel price, and Chinese imports, 7 stock market, 208 and allocation of capital, 210 needs of SOEs, 194 speculation in, 188 structural imbalances, in industrial sector, 173-174 adjustment by central government, and household responsibility system, 176 subsidies, to industry, 120 effects in non-socialist countries, Sui Dynasty, and civil service examination, 40 Sun Tzu, and Sino-Japanese Sun Yat-sen alliance of Kuomintang Party with Russian communist party, 63 and organizational reform, 60-61 Three principles of the People (San-min Doctrine), 63 supply and demand, and Fan Li, 26, 26-27 Sweden, SOEs in, 202 Taiwan, and CAD strategy, 137 technological adoption capital requirements for, 204 and developing countries, 213 and Growth Enterprise Market, 214-215 technological borrowing, and speed of growth, 14-16 technological change, in Europe, experiment-based, 41-42 technological gap, between developed and developing countries, 135 technological innovation, China's lead before 17th century, 24 effects of northern invasion, 40-41 experience-based, 22, 36-37 importance of population size,

39–40 see also Needham



310 • Index

technological progress, importance for	in US, 145
growth, 10	towns, prosperity of, 27–29
advantage of backwardness, 16	township and village enterprises
and capital accumulation, 11–12	(TVEs), 185–186
and industrial upgrading, 12	bankruptcy, 234
and institutional improvement, 12	and comparative advantage, 186
law of diminishing returns, 11	and household responsibility system,
and savings rate, 139	186
see also innovation; technological	reform by peasants, 274
borrowing	Toyota, government protection of,
technology choice	
and capital and labor intensity,	trade barriers, 120
112–113	trade barriers, 120
and competitive markets, 114	unemployment, and Marx's theory,
in developed and developing	62–63
countries, 113–114	unification, of national economy, 106
technology, definition of, 35	unified economies, and East Asian
technology distribution curve, 35–36,	Miracle, 106
38–39	urban consumption, demand for,
knowledge, 37	230–231
materials, 37	loans for, 231
talent of individuals, 37	urban industrial sector
three rural issues, the	dual-track planned and market
farmers' income, 164, 166, 234	
and spending, 237	economy, 178 management autonomy, 177
farmers' migration to cities,	
166–167, 168	problems in, 173–174
and CAD strategy, 168	post-reform solutions to, 176–177 pre-reform solutions to, 174–176
and Dingxi potatoes, 167	
	see also contract system;
and Down to the Countryside	management reform; propert
Movement, 169	rights; resource allocation
health, education and social services,	urbanization, impediment to, 99
165	urban–rural income gap, 101, 164, 168
infrastructure and irrigation	247
improvements, 165	in Japan, 168
promotion of science, technology	in US, 167
and education, 166	US aid to Asian Tigers, 107–109
unified markets, 169–170	technology transfers, 108
effects of planned economy, 170	US interest rate policy, and global
Factor Price Equalization, 171	imbalance, 293
price liberalization, 170	
urbanization, 234, 241–242	Versailles, Treaty of, humiliation of
see also urban-rural income gap	China, 61
toothbrush production, 140–141	viability, of enterprise, 111–112
total factor productivity (TFP) growth,	and comparative advantage, 269,
144	269–270, 278
in developing countries, 145	and conditionality concept, 277



Index • 311

and endowment structure, 115–116, 116–117, 117–118 upgrading of, 279 and economic surplus, 279 and heavy industry, 280 and innovation, 279–280 technology transfers, 280 openness and competition, 279 see also CAF strategy; shock therapy

Wade, Robert, market intervention,
110
Wang Yangming, 52
war, defeats in
and cession of territories, 56
invasion by Eight-Power Allied
Forces, 61
and rise of socialism, 62
Washington Consensus
concept of conditionality, 277
and shock therapy, 271–272

Watt, James, and steam engine, 42
wealth distribution, and
revolution, 66
Weber, Max
and Chinese capitalism, 52
Protestant ethic, 107
World Trade Organization, accession
to, 121
and FDI, 230
and private sector investment,
230
Wuhan Dong Feng Peugeot Citroën
Automobile Company, 143

Xinao, sealing technology, 141

Yan Fu, translation criteria, 44 Yuan Longping, hybrid rice, 162

Zhang Zeduan, painting of Bian Liang, 27